Nova Scotia Municipal Finance Corporation

20th Annual Report
2000

Nova Scotia

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How the Corporation Functions

Authority

The Nova Scotia Municipal Finance Corporation was established by an Act of the Legislature of the Province of Nova Scotia in 1979, being Chapter 301 of the Revised Statutes of Nova Scotia, 1989.

Purpose and Mission

The Corporation's purpose is to provide financing of the capital requirements of municipalities, school boards, and hospitals by issuing its securities and relending the funds for these purposes. It is currently the policy that both school and hospital construction debt will be financed directly by the Province of Nova Scotia.

All municipalities and school boards must finance, and hospitals may finance, their capital requirements through the Corporation, except for capital projects funded directly by the Province of Nova Scotia, interim financing, and certain projects for which funds may be borrowed from the Government of Canada, the Province, or other municipalities within the province.

The Corporation's mission is to utilize credit enhancement and debt pooling techniques to meet clients' approved funding requirements at the lowest possible cost.

Administration

The affairs of the Corporation are managed by a Board of Directors appointed by the Governor-in-Council. Forty per cent of the members are appointed upon the recommendation of the Union of Nova Scotia Municipalities.

The administrative budget approved by the Minister of Housing and Municipal Affairs may be cost-shared by the Province in such proportion as the Governor-in-Council may prescribe in any year. The remainder of the approved administrative expenses is to be paid by the Corporation and/or the borrowing units.

Support staff and resources of the provincial Departments of Finance, Justice, and Housing and Municipal Affairs have been provided to the Corporation.

Office location:
Suite 208, 1601 Lower Water Street,
Halifax, Nova Scotia, B3J 1S2

Mailing address:
P.O. Box 850, Station M,
Halifax, Nova Scotia B3J 2V2

Telephone: (902) 424-4590
Fax: (902) 424-0525
Website: http://www.gov.ns.ca/nsmfc/

Directors and Officers

(as at March 31, 2000)

Directors of the Corporation

Brian Stonehouse, PEng, Chair
Deputy Minister
Department of Housing and Municipal Affairs

James E. Radford, MBA, CA
Business Consultant, Halifax, Nova Scotia

Richard G. Ramsay, MPA
Business Consultant, Port Williams, Nova Scotia

Clint Schofield
Councillor
Halifax Regional Municipality

Douglas P. Stratton, CFA, Executive Director
Investments, Pensions & Treasury Services
Department of Finance

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Officers of the Corporation

Chair
Brian Stonehouse, PEng
Deputy Minister
Department of Housing & Municipal Affairs

Chief Executive Officer and Treasurer
R. Mark Gilbert, MBA, PhD

Corporate Secretary
Jane Fraser-Coutts
Municipal Advisor
Department of Housing and Municipal Affairs

General Counsel
John Traves, LLB
Director, Solicitor Services
Department of Justice

Assistant Treasurer
Roy Spence
Director, Liability Management and Treasury Services
Department of Finance

Directors' Report

Business Plan

The Corporation's Board of Directors approved a business plan for the 1999–2000 fiscal year. The plan reaffirms our mission statement which is "to utilize credit enhancement and debt-pooling techniques to meet clients' approved funding requirements at the lowest possible cost." This is achieved through the issuance of debentures. The Corporation pools municipal borrowing requirements, which eliminates the need for individual municipalities to negotiate and administer their own debenture issues. Under the Municipal Finance Corporation model, the debt issuance function remains in the public sector domain.

This business plan features three strategic goals, which are identified below. The outcomes, indicators, measures, and results for the fiscal year are included.

Strategic Goal 1. To work with clients, the Province, and the investment community in providing capital financing to our clients at the lowest cost of funds available for their particular debt structure and timing needs.

Outcome. Meeting approved client funding requirements. *Indicator.* Response to approved requests for financing.

Measures
- Percentage of formal requests complied with through the debenture issue immediately following the request
- Average response time to formal requests, measured in weeks

Results
- 100% of the 42 formal requests for debenture funds received funding as part of the debenture issue immediately following the request
- For the spring issue the debenture was priced within four to six weeks of the municipal requests. The issue closed five weeks later.
- The pricing of the fall debenture issue was delayed due to the timing of the provincial budget; the issue was priced within 11 to 13 weeks of the municipal requests and closed three weeks later. Changes in provincial legislation enabled the MFC to reduce the time between closing and pricing.

Additional results
- Issued $86,960,000 in debentures and on-loaned a similar amount to clients
- Administered $2,500,000 in short-term financing pending issuance of a debenture
- Administered $669 million in outstanding debentures and $664 in outstanding loans
- Invested and administered pooled sinking fund trusts valued at $159 million.

Strategic Goal 2. To explore and develop new methods and products for meeting the needs of our clients through contact with the investment community, the public sector, and academic research.

Outcome. Awareness of new loan features that may benefit clients. *Indicator.* Amount of communication with clients, investment community, academic community, and public sector counterparts.

Measure. Percentage of potential borrowers contacted.

Results. Conducted 12 field visits (20 per cent of units) during the year.
Additional results:

- Established a MFC/interdepartmental/ municipal committee to explore municipal interest and the merits of developing a pooled lease-financing program for Nova Scotia municipalities.
- The Corporation was represented in the provincial/municipal roles and responsibility review initiative established in 1999.
- The Corporation was represented on a financial evaluation committee for a large municipal capital project.
- Meetings were held with the Corporation's lead managers and other members of the investment community, staff of the Nova Scotia Department of Finance, and other municipal finance corporations to discuss trends and developments in municipal capital financing.
- Improved the NSMFC website.

Strategic Goal 3. To promote responsible and professional approaches to municipal capital-project planning and financing (jointly with the Department of Housing and Municipal Affairs).

Outcome. Optimum use of capital funds and improved community infrastructure. *Indicator.* Information on capital planning and finance.

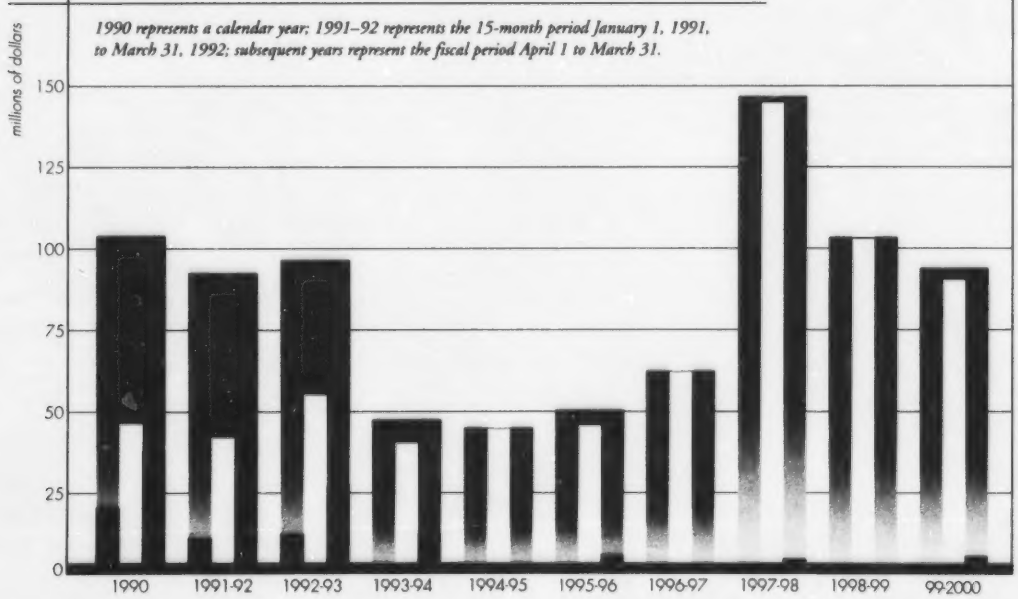
Measure. Percentage of borrowers with a capital budgeting, planning, and finance strategy.

Results. In progress.
Additional results:

- Conducted 12 field visits during the year.
- Worked with staff of the Department of Housing and Municipal Affairs and local government staff in developing responses to municipal capital-financing proposals.
- Responded to the information needs of municipalities and the investment community.

Long-Term Loans Made During Year

1990 represents a calendar year; 1991–92 represents the 15-month period January 1, 1991, to March 31, 1992; subsequent years represent the fiscal period April 1 to March 31.



	1990	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	99-2000
Hospital	22.0	9.3	11.7	—	—	—	—	—	—	—
Municipal	45.1	36.4	54.0	36.7	46.9	49.0	62.9	145.4	105.1	84.5
School Board	36.1	36.1	26.1	11.9	—	2.1	—	1.4	—	2.5
Total	103.2	81.8	91.3	48.6	46.9	51.1	62.9	146.8	105.1	87.0

Note: The amount of debentures issued during the year approximates the long-term loans made.

The business plan also includes a projection of the Corporation's administration budget for the next three years. The multi-year budget anticipates that the Corporation will continue to assume a larger portion of those administrative costs that are currently subsidized by the Province. This has resulted in annual budget increases.

The 2000–01 business plan is posted on the website.

Projects Administered

	Housing & Municipal Affairs	Education
Schools/Facilities	—	$2,500,00
Water	$ 5,594,000	
Sewer	7,986,250	
Streets	10,224,744	
Buildings	9,798,000	
Land	4,222,214	
Electric	275,000	
Vehicles & Equipment & I.T.	13,096,000	
Parks & Recreation	2,544,000	
Solid waste	27,643,000	
Sewage treatment	3,074,000	
Transit	0	
	$ 84,457,208	$ 2,500,000
Number of loans	40	1

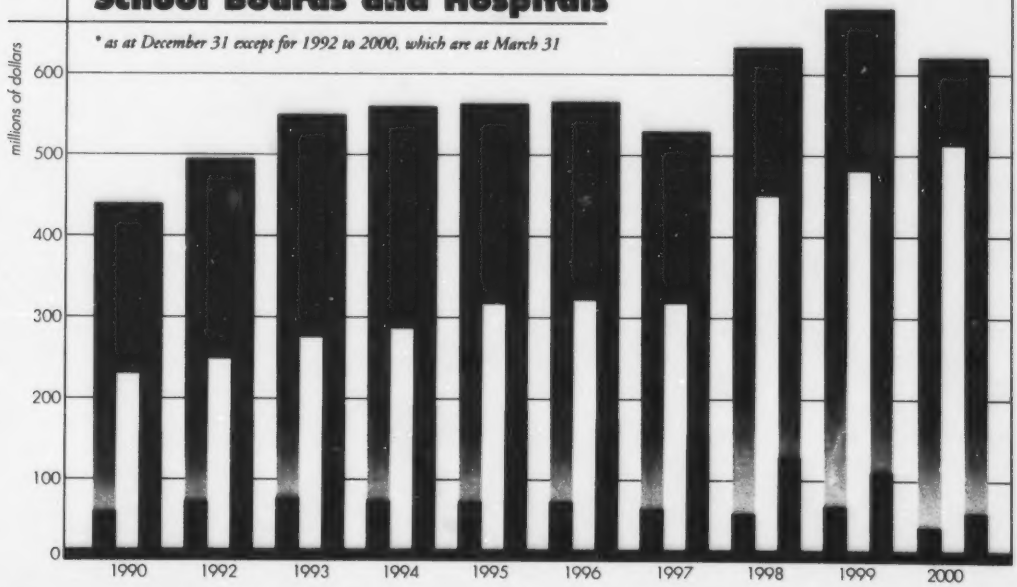
Loans to Municipal Units and School Boards

The Corporation's loan portfolio comprises loans to school boards and hospitals that are serviced by the Province of Nova Scotia and loans to municipal units and enterprises that are serviced or guaranteed by Nova Scotia municipalities. There are no arrears. The Nova Scotia Department of Housing and Municipal Affairs performs the credit check using ministerially approved debt policy guidelines and the Minister approves all capital loans to municipal units and enterprises. The Corporation's interest rate risk is minimized by matching the interest rates, term, and features of its debenture issues with those on the loans it makes to its clients.

During the year, long-term loans totalling $86,957,208 were made to 29 municipal units and municipal enterprises and 1 school board. They were used for the purposes illustrated on page 3.

Loans to Municipal Units, School Boards and Hospitals

** as at December 31 except for 1992 to 2000, which are at March 31*



	1990	1992	1993	1994	1995	1996	1997	1998	1999	2000
Hospital	54.7	62.5	71.6	69.0	66.4	63.7	63.0	53.9	53.9	35.3
Municipal	232.6	249.2	274.9	289.6	312.0	329.0	319.9	449.3	493.7	508.9
School Board	156.6	183.5	197.0	195.4	181.0	169.6	153.4	128.6	116.2	68.3
Total	443.9	495.2	543.5	554.0	559.4	562.3	536.3	631.8	663.8	612.5

Note: The amount of debentures outstanding at the end of each year approximates the loans Outstanding Borrowing Program.

An interim loan of $75,000 was made during the year to one municipality. This loan will be repaid from the proceeds of a long-term loan made to this unit as part of the pooled debenture issue in the spring of 2000.

The accumulated loans outstanding at March 31, 2000 amount to $612.5 million, comprising $508.9 million to 66 municipal units and enterprises, $68.3 million to 21 school boards, and $35.3 million to 9 hospitals. Effective March 31, 1993, the Province of Nova Scotia assumed all loans related to shareable school and hospital construction. The chart on page 4 shows the total loans outstanding at the end of each of the last 10 fiscal years, broken down by category.

Borrowing Program

Funds totalling $86.9 million for the loans for municipal and school purposes were raised through three issues in the Canadian domestic market. All three issues were placed privately, with the Province of Nova Scotia purchasing a $40.5 million issue in May and a $43.7 million issue in December. The remaining issue was used to facilitate a private placement for a municipal borrower. Interest rate coupons ranged up to 6.75 per cent.

Sinking Fund Assets

Cash and short-term investments	$	96,780
Accrued interest		2,105,612
Investments, at amortized cost		98,117,193
	$	100,319,585

Fund Continuity

Balance of sinking funds—April 1, 1999	$	159,700,364
Accounts payable		1,105
Installments received		15,063,962
Income earned		8,347,515
Payout of matured loans		(82,793,361)
Balance of sinking funds—March 31, 2000	$	100,319,585

Trust Funds Under Administration

The Corporation administers sinking funds on behalf of borrowers. These sinking funds, which relate to 79 individual loans totalling $115 million, are to be applied to the repayment of these loans at maturity.

A summary of the continuity of the balance of the sinking funds for the year is shown at the bottom of the page.

Investments are purchased in accordance with the investment policy of the Board of Directors and are recorded in the financial statements at their amortized cost. Discounts and premiums on the purchase of securities are amortized over the remaining term to maturity. The investment policy includes guidelines for matching sinking fund assets and liabilities. The last sinking fund matures in 2002.

At March 31, 2000, the investment portfolio included securities of the federal government and its guarantees (11 per cent), the Province of Nova Scotia and its guarantees (50 per cent), other provinces and their guarantees (14 per cent), and municipalities (25 per cent).

The average rate of return earned on the combined sinking funds was 7.14 per cent this fiscal year.

Acknowledgements

In February 2000, Mr. Howard Windsor resigned as Chair, a position that he had held since December 1998. The Corporation benefited from his leadership and we express our gratitude to him. Mr. Brian Stonehouse was appointed Chair in February 2000. Mr. Stonehouse has served the government of Nova Scotia in a number of senior management positions, the most recent of which is Deputy Minister of Housing and Municipal Affairs.

We acknowledge the administrative support and co-operation received from the departments of Education, Finance, Housing and Municipal Affairs, and Justice. Each of these departments has contributed the services of staff, which provides considerable assistance to the Corporation. The Directors wish to thank the staff of the Corporation for their excellent contribution.

Management's Responsibility for Financial Statements

The financial statements of Nova Scotia Municipal Finance Corporation are the responsibility of management and have been prepared in accordance with CICA's accounting principles, which are generally accepted in Canada, applied on a basis consistent with that of the preceding year. The financial information presented elsewhere in the annual report is consistent with the financial statements and the underlying information from which these financial statements were prepared.

The financial statements have been examined independently by the external auditors, KPMG, whose responsibility it is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditors' Report, attached to the financial statements, outlines the scope of their examination and contains their opinion.

Provincial procurement policy requires that provincial Crown corporations utilize a competitive bidding process for goods and services. The Corporation's previous audit contract expired at the end of the 1996–97 fiscal year. A request for proposals for audit services for a five-year period beginning in the 1997–98 fiscal year was issued by the Corporation. KPMG's proposal was the most competitive and was accepted by the Board of Directors.

The financial statements and all information in the Annual Report have been approved by the Board of Directors. The external auditors have full and free access to the Board, with and without the presence of management, to discuss auditing, internal control, accounting policy, and financial reporting matters.

Auditors' Report to the Directors

We have audited the balance sheet of Nova Scotia Municipal Finance Corporation as at March 31, 2000 and the statements of revenue, expenditure and reserve fund and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2000 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG

Chartered Accountants

Halifax, Canada
May 12, 2000

Balance Sheet

March 31, 2000, with comparative figures for 1999

	2000	1999 (As restated - see note 10)
Assets		
CURRENT ASSETS:		
Cash	$ 3,160	$ –
Short-term investments, at amortized cost (market — $2,040,000; 1999 — $3,455,000)	2,040,000	3,455,000
Accrued interest receivable	16,439,252	19,724,592
Other receivables	7,333	–
Principal due within one year on loans to units	161,176,120	138,251,338
	179,665,865	161,430,930
LONG-TERM ASSETS:		
Loans to units (note 3)	612,502,241	663,797,018
Less principal included in current assets	161,176,120	138,251,338
	451,326,121	525,545,680
Investments, at amortized cost (market — $6,939,664; 1999 — $6,963,760)	6,918,921	6,812,392
	458,245,042	532,358,072
DEFERRED CHARGES:		
Discount on debenture debt	3,634,465	3,448,089
Less accumulated amortization	2,503,950	2,239,951
	1,130,515	1,208,138
	$ 639,041,422	$ 694,997,140
TRUST FUND ASSETS *(note 4)*	$ 100,319,585	$ 159,701,004

Liabilities and Equity

	2000	1999 (As restated - see note 10)
CURRENT LIABILITIES:		
Bank indebtedness	$ –	$ 79,620
Accounts payable	34,612	22,391
Accrued interest payable	16,449,585	19,787,711
Principal due within one year on debenture debt	165,792,750	139,466,000
	182,276,947	159,355,722
LONG-TERM DEBT:		
Debentures payable (note 5)	616,943,000	669,451,000
Less principal included in current liabilities	165,792,750	139,466,000
	451,150,250	529,985,000
DEFERRED CREDITS:		
Discount on loans to units	3,666,568	3,480,273
Less accumulated amortization	2,556,513	2,304,138
	1,110,055	1,176,135
EQUITY:		
Reserve Fund:		
Residual Reserve Funds	4,361,670	4,124,033
Reserve for debenture/loan interest differential	142,500	356,250
	4,504,170	4,480,283
	$ 639,041,422	$ 694,997,140
TRUST FUNDS UNDER ADMINISTRATION *(note 4)*	$ 100,319,585	$ 159,701,004

See accompanying notes to financial statements.

Approved on behalf of the Board:

Director

Director

Statement of Revenue, Expenditure & Reserve Fund

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999 (As restated - see note 10)
REVENUE:		
Interest on loans to units	$ 50,259,635	$ 56,436,788
Amortization of discount on loans to units	252,374	260,956
Interest on short-term investments	674,325	754,580
Current discount on loans to units	522,862	730,747
	51,709,196	58,183,071
EXPENDITURE:		
Interest on debenture debt and short-term loans	50,907,275	57,100,385
Amortization of discount on debenture debt	263,999	274,042
Debenture issue expenses	305,344	467,727
Administrative expenses (note 6)	208,691	165,253
	51,685,309	58,007,407
NET REVENUE	23,887	175,664
RESERVE FUND, BEGINNING OF YEAR	4,480,283	5,804,619
PAYMENT OF PROVINCIAL PORTION OF SURPLUS TO PROVINCE OF NOVA SCOTIA *(note 7)*	–	(1,500,000)
RESERVE FUND, END OF YEAR	$ 4,504,170	$ 4,480,283

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2000, with comparative figures for 1999

	2000	1999 (As restated - see note 10)
CASH PROVIDED BY (USED IN):		
Operations:		
Net revenue	$ 23,887	$ 175,664
Add (deduct) items not involving cash:		
Amortization of discount on loans to units	(252,375)	(260,956)
Amortization of discount on debenture debt	263,999	274,042
Amortization of premium on investments	(106,529)	(154,592)
Change in non-cash working capital (note 9)	(47,898)	(26,820)
	(118,916)	7,338
INVESTMENTS:		
Issue of loans of $86,956,561 to units on security of debentures, net of discounts of $186,295 (1999 — $105,066,340 net of discounts of $320,943)	(86,770,266)	(104,745,397)
Principal received on loans to units	138,251,338	73,041,907
	51,481,072	(31,703,490)
FINANCING:		
Issue of debentures of $86,958,000, net of discounts of $186,376 (1999 — $105,067,000 net of discounts of $320,971)	86,771,624	104,746,029
Principal payment on debenture debt	(139,466,000)	(73,756,000)
Payment of provincial portion of surplus to Province of Nova Scotia	–	(1,500,000)
	(52,694,376)	29,490,029
DECREASE IN CASH POSITION	(1,332,220)	(2,206,123)
CASH POSITION, BEGINNING OF YEAR	3,375,380	5,581,503
CASH POSITION, END OF YEAR	$ 2,043,160	$ 3,375,380

Cash position is defined as cash and short-term investments less bank indebtedness.

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2000

The corporation was created by the Municipal Corporation Act which was proclaimed on July 31, 1979. The corporation began operations on January 1, 1980 and has a March 31 fiscal year-end. The object of the corporation is to provide financing of approved capital projects for municipalities, municipal enterprises, including district school boards, and hospitals through a central borrowing authority.

1 Summary of significant accounting policies:

(a) Discounts on debenture debt and loans to units are being amortized over the life of the debentures payable and the loans receivable to which they relate, using the debentures outstanding method.

(b) The Reserve Fund was created from interest earnings on funds which had been advanced by the Province of Nova Scotia and have since been repaid and interest on other surplus monies available from time to time, as well as from discounts on loans to units. The purpose of the Reserve Fund is to provide a capital base for the corporation, as well as to provide for funds which may be required for administrative purposes and timing differences.

(c) The Reserve for debenture/loan interest differential represents an allocation approved by the Board of Directors to fund the negative interest on loans maturing in the fiscal year 2001.

2 Fair values of financial instruments:

Financial assets and financial liabilities:

The fair values of cash, accrued interest receivable, other receivables, accounts payable, accrued interest payable and principal due within one year on loans to units and debenture debt are assumed to approximate their carrying amounts because of their short-term to maturity. The fair values of investments are assumed to approximate quoted market values as disclosed in the financial statements.

The fair values of the corporation's loans to units and debentures payable fluctuate with changes in current lending rates. The corporation's mandated rate of interest charged on loans to units is directly correlated to its cost of borrowing, thereby providing a hedge against equity erosion. As at March 31, 2000, the corporation's debenture debt was hedged by offsetting loans to units with the exception of approximately $4,441,000 which was hedged by marketable securities. The fair market value of the marketable securities was $6,939,664, while the fair market value of the debentures in excess of the loans to units was approximately $4,513,000. As the corporation normally holds the debentures to maturity, book values of the investments and debentures have not been adjusted to reflect the differences.

Trust fund assets managed by the corporation are completely offset by trust fund liabilities providing a hedge against fair value changes.

3 Loans to units:

(a) Loans to units are made on the security of their debentures, due in annual instalments for periods up to a maximum of twenty years. Interest rates on the loans range from 1.00% to 13.375%. Due to existing provision for the recovery of any defaults by units, an allowance for doubtful accounts is not required.

(b) Principal payments receivable in each of the next five years are as follows:

2001	$ 161,176,120
2002	64,225,209
2003	85,871,896
2004	46,110,083
2005	46,287,169

4 Trust funds under administration:

Trust fund assets totalling $100,319,585 (1999 — $159,701,004) are held on behalf of certain municipal units and provincial debt issued for school and hospital construction. These funds represent sinking funds which are held by the corporation to be applied to the repayment of outstanding debenture debt at maturity.

5 Debentures payable:

(a) The debenture debt outstanding at March 31, 2000 totalling $616,943,000 (1999 - $669,451,000) is in Canadian funds and is fully guaranteed by the Province of Nova Scotia except for Series AT which is a private placement.

Series	Date issued	Maturity date	Interest rate	Debt outstanding
B	July 2/80	1998 to 2000	12.000	$ 700,000
C	Dec. 19/80	1998 to 2000	13.375	1,250,000
D	Dec. 19/80	1998 to 2000	13.375	500,000
N	Apr. 2/85	1998 to 2005	12.250-12.500	3,385,000
P	Dec. 11/85	1998 to 2000	11.000	1,500,000
Y	June 21/90	2000	11.750	44,000,000
Z	Nov. 15/90	2000	11.900	59,000,000
AA	May 29/91	1998 to 2001	10.500	10,200,000
AB	Oct. 30/91	1998 to 2001	9.750	10,320,000
AC	May 13/92	1998 to 2002	9.750-9.875	32,875,000
AD	Dec. 9/92	1998 to 2002	8.250-8.500	15,600,000
AE	May 5/93	1998 to 2003	8.000-8.500	11,400,000
AF	Nov. 18/93	1998 to 2003	7.125-7.625	9,110,000
AG	July 13/94	1998 to 2004	9.000-9.250	10,100,000
AH	Dec. 8/94	1998 to 2004	9.125-9.750	16,270,000
AI	May 2/95	1998 to 2005	8.625-9.125	11,760,000*
AJ	Nov. 14/95	1998 to 2005	7.500-8.125	21,765,000
AK	May 14/96	1998 to 2006	7.000-8.000	32,098,000*
AL	Oct. 28/96	1998 to 2006	6.500-7.500	15,926,000
AM	May 12/97	1998 to 2007	5.750-7.000	50,120,000*
AN	Oct. 17/97	1998 to 2007	5.000-6.250	34,519,000*
AP	Jan. 30/98	1999 to 2019	5.375-6.125	43,488,000*
AQ	May 15/98	1999 to 2008	5.000-5.500	37,167,000
AR	Dec. 1/98	1999 to 2008	4.625-5.625	56,932,000*
AS	May 17/99	2000 to 2009	4.750-5.375	40,525,000*
AT	May 28/99	2000 to 2015	1.000	2,700,000
AU	Dec. 22/99	2000 to 2009	5.750-6.750	43,733,000*
				$ 616,943,000

**Placed directly with the Province of Nova Scotia*
Interest is payable semi-annually, except Series AT which is payable annually.

(b) Principal payments due in each of the next five years are as follows:

2001	$ 165,792,750
2002	64,252,750
2003	86,096,750
2004	46,019,750
2005	46,239,750

6 Administrative expenses:

	Budget	2000 Actual	1999 Actual
Salaries and benefits	$ 153,004	$ 165,285	$ 121,514
Travel	4,000	3,791	3,611
Equipment and maintenance	4,950	7,305	2,712
Printing	2,300	5,194	3,991
Postage	4,000	1,839	2,349
Telecommunications	5,400	4,226	3,914
Stationery and supplies	5,000	4,096	2,626
Professional services	6,000	6,000	6,073
Bank charges	12,000	8,689	6,142
Directors' fees and expenses	5,600	3,421	5,385
Professional development	5,225	3,576	5,330
Dues and subscriptions	1,320	806	931
Insurance	755	561	473
Other	500	147	202
Salary recovery	–	(6,245)	–
	$ 210,054	$ 208,691	$ 165,253

7 Payment of provincial portion of surplus to Province of Nova Scotia:

In fiscal 1998/99 the corporation transferred $1,500,000 of the Reserve Fund to the Province of Nova Scotia. This amount represented the Province's share of the Reserve Fund. The basis for the calculation was the portion of total Nova Scotia Municipal Finance Corporation loans made since its inception that were made to schools and hospitals. In exchange for the $1,500,000 payment, the Province recognized the remainder of the reserve as the municipal portion.

8 Taxes:

The corporation is not subject to provincial or federal taxes.

9 Change in non-cash working capital:

	2000	1999
Accrued interest receivable	$ 3,285,340	$ 540,558
Other receivables	(7,333)	–
Accounts payable	12,221	3,955
Accrued interest payable	(3,338,126)	(571,333)
	$ (47,898)	$ (26,820)

10 Correction of Error:

Subsequent to the issuance of the financial statements for the year ended March 31, 1999, the corporation discovered a calculation error relating to accrued interest payable. Accordingly, the March 31, 1999 financial statements have been restated to reflect the correct interest accrual. This resulted in an increase to the previously reported amounts for accrued interest payable and interest on debenture debt and short-term loans of $455,446 and a reduction in net revenue and Reserve Fund of the same amount.

The following table illustrates the impact of this restatement on the Reserve Fund:

	2000	1999 *(As restated)*
Reserve Fund, beginning of year:		
As previously reported	$ 4,935,729	$ 5,804,619
Adjustment to reflect correction of error	(455,446)	–
Reserve Fund, restated	4,480,283	5,804,619
Net revenue	23,887	175,664
Payment of provincial portion of surplus to Province of Nova Scotia	–	(1,500,000)
Reserve Fund, end of year	$ 4,504,170	$ 4,480,283